

Investment in Macedonia

An opportunity to invest in the printing industry in Macedonia

**NIP NOVA MAKEDONIJA AD, in
Bankruptcy, sale of printing house**

March 2004

Nova Makedonija

The start of the Company dates back to the first daily newspaper in Macedonia, which was published on 29th October 1944 in the village of Gorno Vranovce. Over the years the Company continued to keep up to date with all technological advances in the graphics business. However, over the last few years investments have been scaled back considerably, the Company's financial difficulties having a direct impact on the printing process.

The Nova Makedonija Printing House (NMPH) is located in the city centre of the Macedonian capital, Skopje. The Company has adequate road and rail links both within Macedonia and internationally through its neighbouring countries: Greece; Bulgaria; Serbia and Montenegro; and Albania.

NMPH's core business activity is the preparation, printing and shipping of the following finished graphic product groups:

- Newspapers;
- Magazines;
- Books; and
- Mercantile products (posters, calendars, brochures etc, see Table 2 below)

The tables below show the circulation, by product type for the period 1999 to 2002, these figures combine production for external clients and for the in-house needs of Nova Makedonija publishing section.

Table 1: Shows printed production 1999-2002

Year	Total circulation	
	Newspapers and Magazines	Books
1999	25,745,500	463,943
2000	31,486,684	371,819
2001	22,249,647	96,069
2002	16,071,518	134,988
Total	95,553,349	1,066,819

Table2: Total circulation from mercantile products 1999-2002

Year	Total circulation			
	1999	2000	2001	2002
Posters	12,250	84,500	15,000	760
Forms (Various types)	2,767,081	3,062,475	3,189,500	3,890,150
Administrative forms (various types of administrative documents)	12,761	9,079	7,275	20,902
File folders	5,390	3,000	40,159	1,000
Notebooks	16,550	107,249	1,250	2,149
Business cards	10,050	9,900	2,000	3,200
Programs	4,080	15,000	0	1,500
Calendars	70,851	182,100	54,915	79,435
Booklets	516,100	859,825	1,214,444	339,200
Catalogues	7,438	2,400	12,270	5,990
Monographs	805	2,960	2,021	1,500
Picture books	0	0	0	7,950
Brochures	103,353	21,500	0	4,410
Bulletin	14,900	13,400	0	6,000
Invitations	5,400	4,750	4,955	6,120
Total	3,547,009	4,378,138	4,543,789	4,370,266

Due to the Company's recent financial situation and the reduced demand in its products, a bankruptcy procedure started for the company in June 2003.

As of 22 October 2003 NMPH had 294 employees on its books.

The Republic of Macedonia ('Macedonia')

Since gaining independence in 1991, in spite of the difficulties posed by political and social unrest in the region, Macedonia has implemented a reform programme designed to develop a free market economy and achieve closer integration with international trading partners. Priority has been placed on economic reform and, in this; the Government has worked closely with both the World Bank and the IMF. Macedonia has started working towards membership of the EU and has recently been granted full membership to the WTO.

The achievements of the ongoing programme of economic reform include:

- widespread privatisation of state and socially-owned enterprises;
- regional, European and worldwide trade liberalisation; and
- promotion of foreign direct investment (including major foreign capital backing in the banking and insurance industries).

Macedonia took major steps towards integration with the EU with the signing of the Stabilization and Association Agreement in April 2001 and a Free Trade Agreement with the European Free Trade Association (EFTA) whose implementation starts this year. Goods exported from Macedonia to the EU are now free of any customs duties or quantity limitations. Duties on goods imported from the EU into Macedonia will be progressively reduced to zero duty by the end of 2010.

The Country also has some very important trading partners in the Balkan region. Trade with Slovenia, Yugoslavia, Romania, Croatia, Bulgaria, Turkey, Ukraine and Albania accounted for approximately 35% of total imports and exports in 2000. Macedonia has now signed free trade agreements with all of these countries and has begun negotiations with the Russian Federation.

Macedonia's recent entry into the WTO will help the Country's further integration into the world trading system. It will help facilitate foreign trade and investment and expand the market for Macedonian goods and services.

In order to attract foreign direct investment, the Government of Macedonia has implemented various reforms to encourage investment. Incentives for overseas investors include:

- A relatively low rate of corporate income tax (15%);
- Corporate income tax relief investors are allowed a tax break of up to 3 years, after which, if the investor decides to invest profit back into the company then an additional 3 years tax break may be granted;
- Customs duty exemptions on imports of equipment and other capital assets; and
- Creation of Free Economic Zones with offering various exemptions from customs duties and income, sales and property taxes.

Macedonia offers excellent logistical advantages to investors. The country is crossed by two major transport corridors: the E65 which runs east to west from Durres to Varna, and the E75 running north to south from Munich to Thessaloniki.

The benefits of producing in Macedonia include:

- Low labour costs;
- Highly skilled workforce;
- Strong industrial tradition;
- Stable macroeconomic situation;
- Easy access to export markets in both the EU and other Balkan states; and
- Development of Macedonia's relationship with the EU and the WTO.

Sale process

NMPH will be privatised through a liquidation process. Bidders will be invited to submit sealed bids for the Company's assets which will be divided into the two following asset packages:

1. Printing House; and
2. Office space previously used as a sanatorium

For full details of packages please refer to Tender Documentation. There will be no contractual conditions of sale concerning re-employment of workers or future investment in the Printing House.

The only criterion for the selection of a purchaser will be the price offered for the assets. Full details of the sales process, further information on NMPH and lists of the assets included in each asset package will be set out in an Information Document, which will be available to all interested parties on payment of EUR 200 (or Macedonian Denar equivalent). To receive an Information Document and Tender Rules Document, please contact either the Bankruptcy Trustee or the Liquidation Advisor (details below).

In order to participate in the liquidation, bidders will be required to purchase an Information Document and comply with the Tender Rules attached to the Information Document. The deadline for the receipt of bids for the asset packages will be **12.00 on 16 April 2004**.

Interested parties wishing to receive more detailed information regarding this tender, with a view to making a bid, must pay a non-refundable processing fee of EUR 200 (or the Macedonian equivalent), into one of the following bank accounts:

Payments made domestically in <i>Macedonian Denar</i>	Payments from abroad in <i>Euro</i>
Tutanska Banka AD, Skopje	Tutanska Banka AD, Skopje
Acc. Number: 210 040541300133	Acc. Number: 71040541301820 SWIFT: TUTUNMK22

Contact details

For further information see http://www.mpa.org.mk/action_plan.htm or contact:

Bankruptcy Trustee	Liquidation Advisors
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Purpose and Contents of this Document

This document (the 'Document') contains proprietary and confidential information on the Printing House of Nova Makedonija AD, in bankruptcy, Skopje. It has been prepared from information provided by the Bankruptcy Trustee and the Company, solely to enable those selected persons receiving the Document ('Interested Persons') to gain some initial familiarity with the business and the assets of the Printing House of Nova Makedonija. The information in this Document has not been verified by the Bankruptcy Trustee, the Company or by Lion's Bridge and Grant Thornton (together, the 'Liquidation Advisor'). Interested Persons must undertake such investigations as they see fit before entering into any contract.

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Joint Liquidation Advisors



Grant Thornton 